Swiss Re

FIRST QUARTER 2015 results

Transcript of analyst and investor video presentation

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- uncertainties in estimating reserves;
- uncertainties in estimating future claims for purposes of financial reporting, particularly with respect to large natural catastrophes, as significant uncertainties may be involved in estimating losses from such events and preliminary estimates may be subject to change as new information becomes available;
- the frequency, severity and development of insured claim events;

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- policy renewal and lapse rates;
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Slide 1: First quarter 2015 results

Good day every one! Thank you for watching this presentation of Swiss Re's first quarter 2015 results. My name is David Cole and I am Swiss Re's Group CFO.

Slide 2: Business performance – section slide

I will start with the business performance for the quarter.

Slide 3: All Business Units contributed to Swiss Re's strong Q1 2015 results

Swiss Re has started the year with a strong first quarter. All Business Units contributed positively to a Group net income of 1.4 billion US dollars, which translates to a return on equity of 16.1%.

P&C Reinsurance led the way, with a strong net income of 808 million US dollars supported by benign nat cat experience and reserve releases.

L&H Reinsurance reported an ROE of 17.2%, reflecting the benefits of the management actions concluded last year. While ROE in the quarter was supported by realised gains and FX re-measurement, the segment is on track to achieve its 2015 ROE target.

Corporate Solutions delivered strong results in the first quarter, with an ROE of 29.0%, driven by continued profitable business performance.

Admin Re® had a quarter with a good gross cash generation of 52 million US dollars and an ROE of 12.7%.

Our Asset Management team produced a strong ROI of 3.9% despite the low interest rate environment.

And finally the latest economic Group SST ratio as submitted to FINMA – our Swiss regulator – remains very strong at 223%.

Slide 4: Key figures

On this slide you will find the usual overview of key figures. I will not walk you through this slide as we will go through each of the segments in more detail shortly. I would, however, like to highlight that unrealised gains again significantly increased shareholders' equity during the first quarter, mainly as the result of lower interest rates.

Slide 5: Underwriting and investment performance are both strong and stable

Let's take a moment toconsider the long term view of our performance – as you know we manage our business on a longer term basis. You will be familiar with these charts and our message remains the same for this quarter. We continue to demonstrate a strong and stable underwriting and investment track record over an extended period of time.

Underwriting discipline is key, and you can be assured this remains at the heart of what we do. On the investment side, our active asset re-balancing over the past several years has helped to mitigate the effect of low interest rates.

To generate long term value, we will continue to actively manage both sides of the balance sheet with a longer term view.

Moving back to this quarter's results, I will start with P&C Re.

Slide 6: P&C Reinsurance continues to deliver strong results

Once again, our P&C Re business has produced a strong set of results. Yes, it is a challenging environment, but our clients see the value of our differentiated product and services offering. Premiums earned as reported are slightly down. At constant FX rates premiums earned would show a small increase.

The benign nat cat environment continued this quarter, leading to another low combined ratio. Nat cat experience has not exceeded our expectations for almost two years. We believe Nat cat losses will revert to the mean at some point. Our clients also recognise this, and we remain a valued partner for them, helping them with their risk and capital management needs.

Slide 7: L&H Reinsurance is on track to achieve its ROE target

After the extensive management actions we took in 2014, it is clear 2015 will be a key year for Life and Health Re. Having addressed the pre-2004 YRT losses, we can now demonstrate to you why we believe in the earnings power of this business. Please note the current quarter's earnings did benefit from some realised gains and favourable FX re-measurement. Excluding these, Life & Health's ROE would be 11.6% based on the equity base relevant for their 2015 target. Of course, one quarter does not make a year, but the team has done well and is on track to achieve its 2015 ROE target of 10-12%.

Slide 8: Corporate Solutions continues to deliver profitable growth

Our Corporate Solutions business had a good start to the year delivering in the first quarter a strong net income which translated into an excellent return on equity. The segment experienced continued profitable business growth and performance due to its diversified lines of business.

The market environment does continue to be challenging and we experienced some unfavourable FX movements. Therefore, it is not surprising the pace of top line growth has slowed. However, we are still on track to deliver on both our 2015 top-line and ROE ambitions.

The strong result was supported by benign nat cat experience and favourable reserve developments. As previously discussed, current expense levels reflect ongoing investments for growth.

I would also like to mention that Corporate Solutions made further progress on its High Growth Markets initiative. The Business Unit has obtained a license to operate in South Africa and recently opened an office in Johannesburg. This will allow us to provide locally relevant solutions to our clients.

Slide 9: Admin Re® delivers good performance

Admin Re® achieved an excellent net income and ROE in the first quarter of 2015. This will not be the new run rate and, as previously stated, an ROE target of 6-8% in the medium to long term remains valid. Net income was supported by realised gains from the sale of government bonds. This was mainly due to the positioning of the asset portfolio in preparation for Solvency II, as our Admin Re® operations are based in the United Kingdom.

While gross cash generation was lower in Q1 2015 than in the comparative period, it was in line with our expectations. I am sure you recall last year included a significant favourable one-off impact.

While we continue to seek to invest in attractive new opportunities, the Admin Re® management team is working hard to achieve operational excellence through continuous improvement of our scalable operating platform. During this year we will outsource an element of our investment accounting to a third party, this will allow us to manage our costs while increasing options for further growth.

Slide 10: Group investment portfolio makes a strong contribution

We have seen another strong investment performance in Q1, achieving a favourable overall result while maintaining a high quality investment portfolio.

Average invested assets decreased compared to the prior year period. Lower interest rates during the quarter partially offset the impact from net asset outflows and FX. During the first quarter of this year we increased our government bond holdings – mainly US Treasury purchases – and also increased our listed equity exposure by adding credit ETFs.

The strong return on investments reflects a solid performance in the current environment. The majority of this performance can be attributed to net investment income as well as realised gains from fixed income sales.

We continue to see low levels of impairments reflecting the portfolio's high quality and our duration position remains generally matched.

Finally, and as we had communicated earlier, our running yield during the quarter was lower than at year-end reflecting the overall trend of lower interest rates globally.

Slide 11: Increase in common shareholders' equity due to net income and unrealised gains

Details on our US GAAP common shareholders' equity are on slide 11. Net income and unrealised gains were the main drivers for the rise over the year end position.

Slide 12: Group capitalisation remains very strong under Swiss Solvency Test (SST)

On slide 12 you see our latest Group SST ratio, which remains very strong at 223%, well above our targeted respectability level.

Economic solvency measures are gaining importance with the introduction of Solvency II around the corner and I would like to comment on our Group ratio.

First, when comparing our first SST ratio for 2014 with our first ratio this year, you can see a decrease, which is mainly due to an increase of our target capital (or required capital in the Solvency II terminology). This increase reflects the current interest rates environment, an enhancement of our Life & Health model and projected capital actions.

There will always be volatility in our economic solvency figures as they reflect changing market realities. This encourages us to maintain sound risk management practices and capital positions.

The second point I would like to make is that there are important differences between SST and Solvency II, in terms of risk measurement, discount rate and model scope. SST is a proven and robust framework and our SST ratio reflects the firm's continuing capital strength. This strength supports our business and our financial objectives.

Slide 13: April renewals and financial targets – section slide

I will now turn to the recent renewals and our outlook.

Slide 14: Price quality of P&C Re portfolio remains attractive following April renewals

Approximately 10% of P&C Re's treaty portfolio is up for renewal in April. I would describe this year's renewal as disciplined. Pricing, particularly for nat cat business, continued to show declines. But there remains attractive business out there, particularly for Swiss Re as we can leverage our client franchise and our global footprint to differentiate our services and know-how. We estimate the year-to-date risk adjusted price quality of our portfolio is 105%, or the same as at January of this year.

Slide 15: Significant potential for insurance industry to narrow the protection gap

Let's now take a moment to step back from the current quarter in order to take a longer term, global view of our sector by comparing insured with uninsured losses over the last three decades. Here we see a clear trend of economic losses out-pacing insured losses and, as a result, an increasing protection gap. This protection gap can lead to very difficult outcomes, not just for large populations, but also for governments. Increased insurance penetration is one way to reduce such risk. At Swiss Re we continue to focus our efforts on expanding insurance coverage, whether for individuals, corporate clients or the public sector. Closing the protection gap represents an opportunity which will benefit both our society and our shareholders.

Slide 16: On track to meet our 2011-2015 Group financial targets

So where do we stand with regards to achieving our group financial targets, as you know these remain our top priority?

As you can see from this updated chart we remain on track towards achieving our financial goals.

Thank you very much for watching this video on Swiss Re's first quarter 2015 results!

Swiss Re

Corporate calendar & contacts

Corporate calendar

30 July 2015	Second Quarter 2015 results, Conference call
29 October 2015	Third Quarter 2015 results, Conference call
8 December 2015	Investors' Day in Rüschlikon
23 February 2016	Annual results 2015

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